

THE EMERGENCE OF OMNICHANNEL

Consumers are now setting the terms of where, when and how when it comes to shopping *By Melissa Kress*

CONVENIENCE STORE OPERATORS have long been known for the personal service they provide. Your local c-store clerk knows your coffee order, knows the name of your grandchildren, and may even know what lottery numbers you faithfully play. In-person, personal service.

This is all changing, however, as consumers seek — or, more accurately, demand — a shopping experience when, where and how they want it. Enter the emerging channel of omnichannel.

Defined as retail that integrates the various methods of shopping available to consumers, including online, in-store and mobile, the 360-degree omnichannel approach is an avenue consumer packaged goods retailers and suppliers are beginning to explore.

“True omnichannel retail is still something retailers and brands are striving for, but doesn’t yet exist,” explained Mark Hardy, CEO of InContext Solutions, a global provider of enterprise mixed and virtual reality solutions focused on retail optimization and shopper engagement. “In general, though, the convenience channel seems to be making quite a few leaps and bounds when it comes to innovation.

“Because it’s increasing in popularity, shoppers are more inclined to interact in new ways, whether that’s mobile apps or in-store technology. But it’s going to take some true innovation and disruptors to take the lead on creating true omnichannel shopping experiences in the convenience channel,” Hardy continued.

In a channel that, for the most part, fills an immediate need, is embracing omnichannel really a necessity for convenience stores?

Aaron McLean, chief operating officer at technology company Stuzo, says it is shortsighted for convenience stores to rely on the old cokes-and-smokes model.

“Look at companies like goPuff. They saw an opportunity to basically invert the c-store model: you don’t need to go into the store,” he said, explaining that the startup is opening pop-up micro-warehouses in major metropolitan areas and college campus areas across the United States and teams with delivery to get the items to consumers in 10 to 15 minutes.

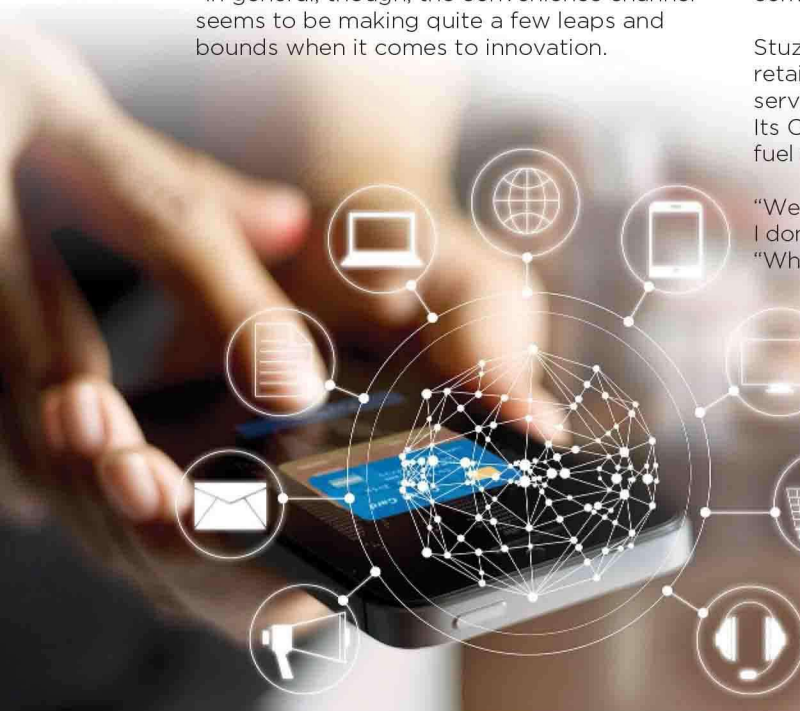
“Why does the consumer need to drive 10 minutes to the store and drive back when they can have the product come right to them?” McLean asked.

Stuzo is a digital product innovation company that offers retailers the ability to deliver and operate all of its digital services and experiences through a centralized location. Its Open Commerce product is aimed at convenience and fuel retailers.

“We believe the true driver in the future is convenience, and I don’t mean convenience as the store,” McLean explained. “When we say convenience, we mean offering incredible, convenient service to the consumer where and when they want it.”

Hardy agrees. “People are hybrid shoppers now, and they have a ton of options. People will always pop in places for things they need right now but, more than ever, they’re ordering online as well, often for in-store pickup,” he said. “So, convenience is less of an issue than it used to be. Wherever customers are shopping, the experience has to feel intuitive and comfortable — if it doesn’t, they’ll go somewhere else.”

According to Hardy, omnichannel can be defined as understanding how the digital and physical experience can become more unified. Omnichannel



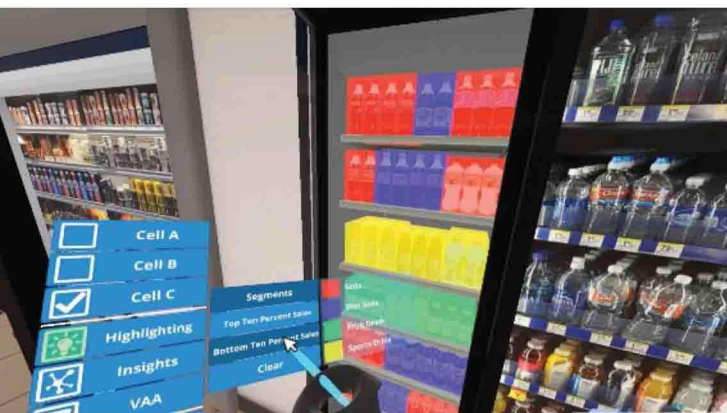
is targeting customers through every available channel — digital, brick-and-mortar, and even B2B collaboration.

With its mixed reality software, InContext Solutions' flagship platform, ShopperMX, lets retailers virtually visualize and test new in-store concepts, such as shelf arrangement; see how customers react; and share their insights with other stakeholders like product vendors.

Where to Start?

Executing an omnichannel approach sounds like a no-brainer as long as a retailer has the resources — both financial and manpower. However, in an industry dominated by single-store and small operators, meeting all consumer touchpoints can be a challenge.

Stuzo often suggests mobile as the starting strategy, but McLean acknowledged that each smaller operator needs to consider their shopper demographic and the types of programs that will work best for them and their consumers.



Mixed reality software lets retailers virtually test new concepts and see how customers react.

“Demographics are different region to region, so it’s not a one-size-fits-all [strategy]. You can’t prescribe mobile as a solution for everybody,” he said. “We wouldn’t necessarily say mobile is the right solution if you had four stores and that’s your entire operation. The cost of deploying something like that is significant. You cannot spend twice your total margin for the year to get mobile up and running; it’s just not feasible.”

A digital relationship is key, though, to give retailers a path to understanding their customers.

“We typically recommend that smaller operators generate some kind of digital relationship with their consumers where they are able to collect some data and have some understanding on a baseline level of who their consumers are on an individual level, and do something baseline actionable on that data,” McLean explained. “That’s a great first step.”

Creating a digital relationship will also significantly increase a retailer’s valuation, he added, which is becoming increasingly important in today’s ramped-up era of acquisitions.

“With continued consolidation in the industry, smaller operators will be in a much better position in terms of their valuation during those exit opportunities if they have some kind of understanding of who their consumers are on an individual basis, and are able to communicate with them and do some kind of baseline business with them in digital. That could mean social, that could mean email, that could mean SMS text, or it could mean mobile,” he said.

In addition to customer data, retailers need to rely on customer feedback as well.

“The need for positive customer feedback is especially true in physical stores, where getting the in-store shopping experience right can translate to significantly higher revenues,” Hardy said. “The lines between channels are blurry; an online shopper might come to pick up an order and be enticed by a well-placed shelf display to buy something else. Consumers are embracing more fluid shopping experiences, and retailers need to acknowledge this to make it work for them.”

According to McLean, the first step is the biggest, but the payoff opportunity is there.

“It could be a digital loyalty program that is empowered by any of those channels,” he advised. “But it’s just that they have something and they get started.”

C-store retailers must not overlook the behind-the-scenes work as well. They must prioritize streamlining go-to-market strategies before trying to take on customer-facing improvements, Hardy cautioned.

“Leveraging innovative technologies that can make planning more efficient while reducing costs and risk on the backend is a huge step forward for the retail industry,” he said. “For far too long, brands and retailers have relied on outdated practices that hemorrhage time and money that can be better spent elsewhere. By working smarter and leveraging deeper insights, stores can start focusing on creating that customized shopper experience.”

The Evolution Will Continue

Retailers who are not already embracing omnichannel in some form are behind the eight ball, so to speak. However, further evolution is undoubtedly coming.

“By the time you realize the wave of disruption hits you, it’s too late. By the time you start feeling the impact of that disruption, it’s already passed you by,” McLean warned.

As part of omnichannel, Hardy also believes there are still untapped opportunities and potential inside the store — pointing out that despite the rise of online retail, 80 percent to 90 percent of commerce still happens within physical stores.

“The next retail innovation wave will focus on revamping the in-store customer experience that many shoppers prefer. Brick-and-mortar will continue to evolve, blending ecommerce and conventional retailing to create a brand-new take on commerce,” he predicted.